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## CHAIRMAN'S MESSAGE

It can be summarised briefly that the past year witnessed the successful operation of the two KELER Group member companies (KELER Ltd. and KELER CCP Ltd.), both professionally and financially.

With regard to the financial results achieved in 2019, I am delighted to state that both companies outperformed the plans and I would like to highlight that, as regards its operating result, KELER CCP reached a new peak compared to the results of the previous years. The growth of the Hungarian economy and the tight cost control applied within the companies for years had a positive influence on the outstanding performance of the companies.

The KELER Group continued to realise its strategic objectives also in 2019, establishing, in its framework, the stable and reliable IT infrastructure and efficient organisation enabling it to become the dominant and leading depository and clearing house in the CEE region. In line with its medium- and long-term objectives and besides its own development in information technology, it endeavours to satisfy and anticipate the needs arising at the domestic and the international markets by introducing new products and services.

As a dominant operator of basic infrastructure, in Hungary the company group continues to reliably perform its core services in compliance with the legal regulations and to take initiatives in supporting the prudent operation and competitiveness of the domestic money, capital and energy market by its innovative solutions in the future.

Relying on its over 25 years of experience as clearing house and depository, the vision of KELER Group still includes an active role at the international markets, in which the owners also see an important growth potential. Therefore, in order to secure its long-term future and economical operation, the KELER Group is continuously seeking the take-off points and the opportunities for international expansion.

I take an optimistic approach to the future as there are several ongoing successful IT developments within the company group, the result of which will be experienced in the years to come. For the successful completion of the projects, the KELER Group has the support of its owners, leaders recognised both domestically and internationally, professional employees and a stable and reliable infrastructure meeting the current requirements at its disposal.

I am still convinced that one of KELER Group's stable values is the pool of excellent professionals which, besides the services and developments, will continue to guarantee the high-standard operation of the domestic and international capital and energy markets and will reach the professional and financial results of the coming years.

I would like to take the opportunity to thank the owners, management and employees of KELER Group for their responsible and intensive work enabling the KELER Group to close a successful year also in 2019.



ZSOLT SELMECZI-KOVÁCS DR.  
Chairman

## CHIEF EXECUTIVE OFFICER'S MESSAGE

Similarly to KELER Ltd., KELER CCP Ltd., the specialised clearing house and guarantee service provider within KELER Group, had an eventful year in 2019. Besides servicing the growing number of energy market transactions and volumes, several key business development projects were realised or has been started.

Ever since the start of its operation, KELER CCP has been ensuring the safe clearing and continuous development of the Hungarian securities market and the derivative capital market; it has also become an essential player of the Hungarian natural gas market trading. Beyond the central clearing services, it provides direct access to the significant European energy and natural gas markets as a general clearing member. As the first holder of an EMIR licence in Central and Eastern Europe and with its operation as an independent clearing house for more than a decade, KELER CCP is unequalled not only in the region but in the whole territory of Europe in terms of the number of cleared markets and the diversity of the product range.

At the end of 2019, it provided settlement services to 149 direct and indirect clients in total, from 23 countries: in detail, it means that there were 32 clearing members at the capital market, 42 clearing members at the gas market and 73 non-clearing members at the energy market (Western Europe – 70 clients, Hungary – 43 clients, Eastern Europe – 36 clients).

Similarly to the previous years, 2019 was extremely eventful from an economic point of view. Several events influenced both the international and the domestic money, capital and energy markets. As clearing house the prerequisite to the effective operation of KELER CCP is to ensure the successful operation of the stock and energy exchanges along any market events by managing the settlement risks. KELER CCP again proved to stand still and sound in 2019 not only in this respect, but it also closed the previous year with success regarding its quantitative operating results. The value of HUF 434 million for the operating result is highly favourable since KELER CCP reached a new peak in this regard, exceeding the result planned for the given year by over HUF 90 million. Similarly to the operating result, the amount of HUF 471.8 million of the profit before tax is a new record. The domestic clearing house reached an unexpected turnover at the gas markets (mainly at the CEEGEX market), thus, despite the stagnation of the capital market revenues, KELER CCP achieved the highest fee income deriving from services in its history. The revenues from the activity of the central counterparty exceeded the annual goal by nearly HUF 80 million. The company reports HUF 1.91 billion total revenue which is 22 percent higher than in 2018.

In 2019, KELER CCP provided clearing services to trading venues operated by six markets: Budapest Stock Exchange Ltd., MTS S.p.A., FGSZ Földgázszállító Zrt. (the operator of the Hungarian high-pressure natural gas pipeline system), FGSZ KP Kft., (FGSZ Balancing Trading Platform), CEEGEX Zrt. and HUDEX Zrt.

KELER CCP provides energy market non-clearing member services as general clearing member of the European Commodity Clearing AG (ECC) at the energy markets cleared by ECC as central counterparty. Within the framework of the service, KELER CCP provides clearing and guarantee services to the energy market traders with regard to the cleared spot and derivative market transactions.

On 1 July 2019, the Budapest Stock Exchange launched a new secondary market segment, called BÉT Xbond, in relation to the Bond Funding for Growth Scheme (BGS) of the Central Bank of Hungary, which offers an alternative trading platform to companies planning to issue bonds. As the central counterparty of the Hungarian capital market, KELER CCP was ready by the deadline to service and clear the new market.

In 2019, preparation for the fundamental changes in the operating model of the domestic gas market was a key priority. The change was led by the operator of the Hungarian high-pressure gas pipeline system, FGSZ. As of January 2020, the Hungarian gas market (CEEGEX, HUDEX, FGSZ Trading Platform) switched to euro-based trading; as a result, the financial settlement of the transactions is also performed in euro by KELER CCP. Consequently, the settlement of the gas market trading is simplified as the performance and risk management of the transactions are also carried out in euro as of January 2020. The changes also brought several developments for KELER CCP in respect of clearing the transactions. All needed changes were successfully implemented by the end of 2019.

At the Hungarian gas market, it was also a significant change that, as a result of the amendment of the Act on Natural Gas Supply (Gas Supply Act), the settlement of gas balancing became possible only with the participation of KELER CCP after 1 January 2020. Consequently, eight new traders joined KELER CCP by the end of 2019 and two additional ones on the first days of 2020.

Last year the CEEGEX introduced the expandability of the trading of spot products while, as a HUDEX product development, the Balance on Month (BoM) product was introduced; the central clearing of these are also performed by KELER CCP.

In line with the provisions of the CSDR, after the completion of the authorisation procedure, the cash account management services relating to the financial settlement of transactions concluded at the energy market will be provided by commercial banks in the future. With regard to the specifications, in 2019 the KELER Group started to develop the new business model and select the potential service providers who, within the framework of a cooperation, can enable KELER CCP to provide its clients with the high-standard services which we always strive for and which we would like to continuously develop to meet our clients' needs. KELER CCP aims at providing the partners concerned with the central clearing service at the Hungarian gas market, as well as the general clearing member service at the European energy markets comprehensively and at the usual level of security and operational support even in the framework of the new model.

In order to enable the KELER Group to meet the needs of its Clients regarding its services and their development, KELER and KELER CCP conducted its 8th group-level customer satisfaction survey in 2019 with the participation of its domestic and international partners at the capital and energy market. Building on the messages of the survey, we will continue our work aiming at servicing our clients at an even higher level of quality and with a more comprehensive product range.

I would like to take the opportunity to thank the owners of the KELER Group, the Hungarian credit institutions, the investment enterprises, the participants of the capital and energy markets and, of course, every KELER Group employee for their indirect or direct contribution to the results of KELER CCP in 2019.



*Babett Pavlics*

**BABETT PAVLICS**  
CEO

# MARKET ENVIRONMENT



Just like the previous years, 2019 was active, indeed. Several circumstances influenced the international and domestic financial, capital and energy markets and the society.

Numerous significant events with international relevance can be highlighted regarding the United States of America, such as Donald Trump was the first US president to step on North Korean soil to improve the political relations of the two countries. The long existing trade conflict between China and the USA continued and the two economic superpowers could not come to mutual terms. The current tensions between the USA and Iran already started to form in 2018 when the US president terminated the nuclear deal signed with Iran with the intention to hinder Iran's development of nuclear weapons. 2019 was also busy for the United Kingdom as Prime Minister Theresa May announced her departure from the helm of the Conservative Party and of the government. The successor of Theresa May, Boris Johnson entered the office at the end of July. The G20 summit was held in Osaka last year, including topics of climate protection, trade and the Iranian nuclear deal.

In 2019 at the international level one of the best performing asset classes was securities as both the stock indices of developed and emerging countries had a successful year. The American Dow Jones Industrial Average index closed the year in +22% compared to the previous year, while the Standard & Poor's 500 index had +29%. Beyond US stock indices also the Chinese Shanghai Composite index had +22% plus, the Japanese Nikkei 225 reached +18%, the German Deutscher Aktien index scored +25% and the European Stoxx Europe 600 index enjoyed +23% compared to the end of the previous year.

Similarly to the international stock indexes, the stock index of the Budapest Stock Exchange (hereinafter: BÉT) showed significant increase and the BUX closed at a historical record of 46,082 points after the last trading+0 day of 2019 and surpassed the closing figure of 2018 by a whopping 17.71%.

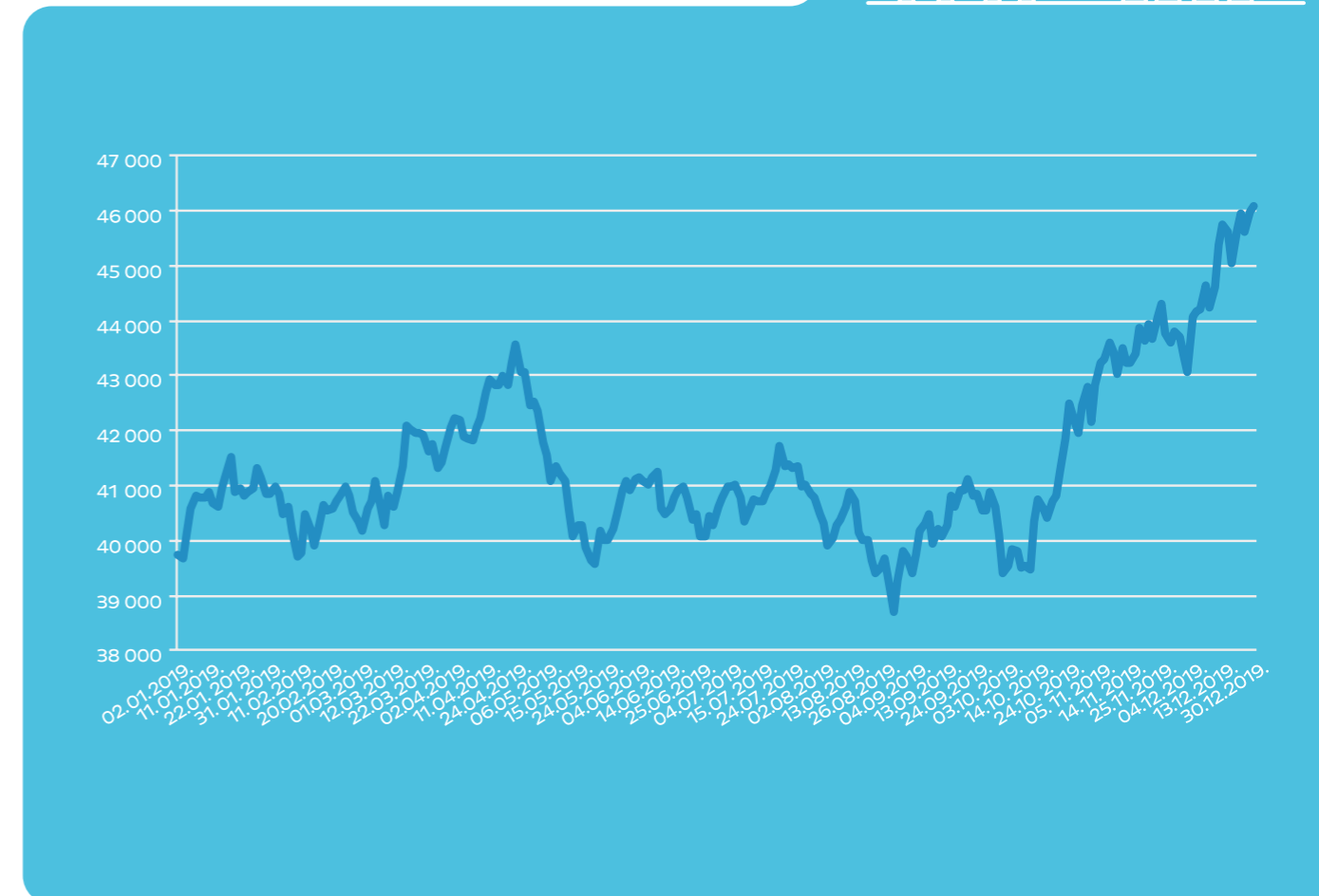
Despite the increase, the turnover of BÉT showed some decrease compared to the end of the previous year and the annual total turnover decreased from HUF 2,791 billion to HUF 2,575 billion. The new bond market of BÉT launched in the summer of 2019 is called BÉT XBond and was founded for companies planning bond issuance in cooperation with the Funding for Growth Scheme (hereinafter: NKP) of the Magyar Nemzeti Bank (Central Bank of Hungary, hereinafter MNB).

The Hungarian Forint moved between rather broad limits in comparison to the Euro, between the values of 312 EUR/HUF and 336 EUR/HUF. Looking back at 2019 and taking into consideration the mean exchange rates on 1 January and 31 December the HUF weakened 2.59% compared to the EUR. The HUF also weakened in comparison to the USD (-4.62%) and the CHF (-6.28%) at the end of 2019 in comparison to the end of the previous year. The EUR weakened in the international currency market in comparison to most of the important currencies, e.g. a decrease of 2.38% compared to the USD, a decrease of 3.74% compared to CHF and a decrease of 6.25% compared to GBP was recorded.

The sale of the Hungarian State Bond Plus investment (hereinafter: MÁP+) started in June and it was a great success in the domestic personal savings market. The turnover exceeded HUF 3,000 billion already by December 2019.

The reference interest rate in Hungary did not change in 2019, just like in 2018 and it is at 0.90% as of 31 December that has been unchanged since the resolution passed by MNB on 25 May 2016. The consumer price index average was 3.4% for the whole of 2019 that is higher than the average inflation rate of 2.8% measured in 2018.

## Changes of BUX index in 2019





## Dynamism and reliability

As a stable and reliable financial infrastructure service provider institution with a long track record in Central and Eastern Europe, KELER CCP provided services to Hungarian and international clients in 2019, as well.

## Unique services

Operating as an independent clearing house for more than a decade, KELER CCP is made unique and special not only in the CEE region but also across Europe by the wide range of markets and asset classes in its clearing activity business. While the Company has been playing an outstanding role in the safe clearing and continuous development of the securities market and the derivative capital market in Hungary, in the meantime it has become an essential player in the trading activities at the Hungarian natural gas market. Overstepping the boundaries of central clearing services, the Company, in its capacity as general clearing service provider, offers direct access to key European natural gas and electric power markets, as well.

KELER CCP is continuously searching for opportunities of strategic cooperation that facilitates presence at regional markets as a provider of services.

## Diverse range of services

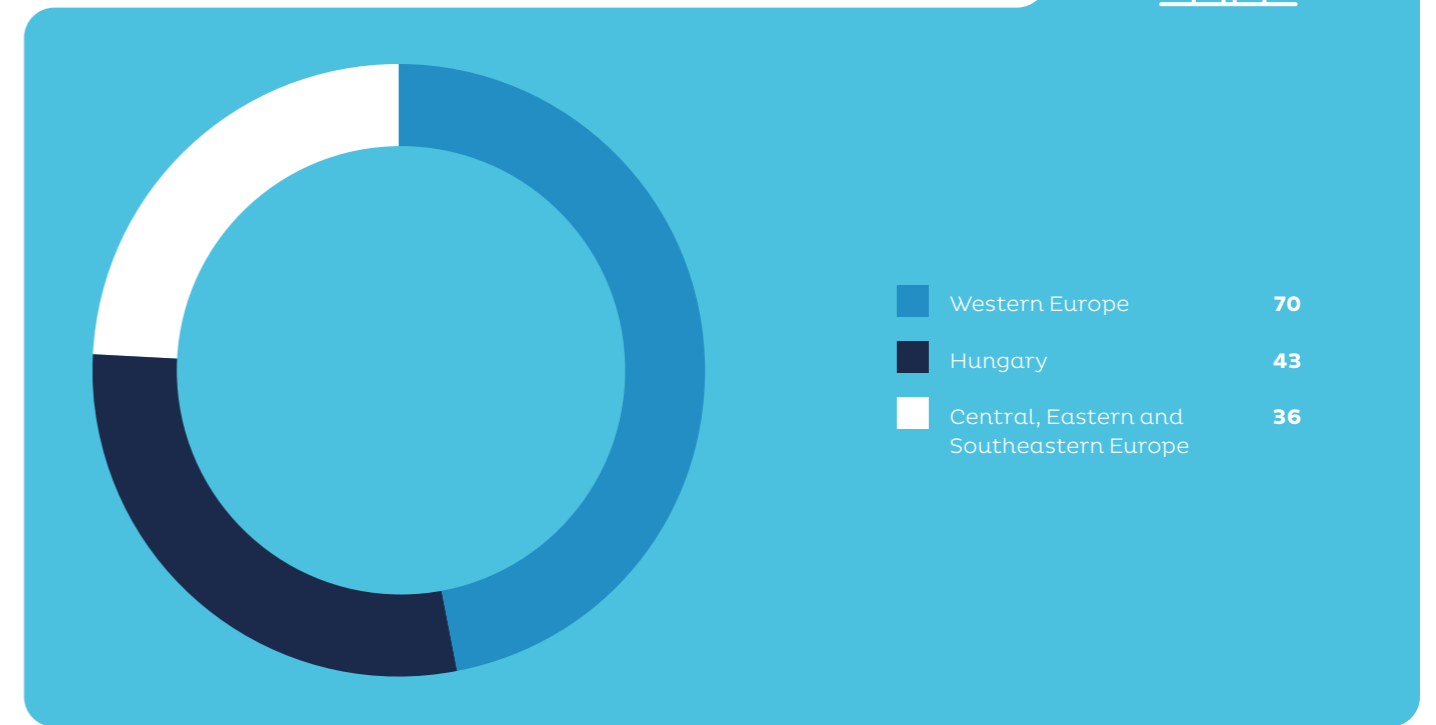
KELER CCP provided clearing services to six market operators in 2019 with regard to the trading venues operated by them, notably Budapesti Értéktőzsde Zrt. [Budapest Stock Exchange Co. Ltd.], MTS S.p.A., FGSZ Földgázszállító Zrt. [FGSZ Natural Gas Transmission Co. Ltd.], FGSZ KP Kft., CEEGEX Zrt., and HUDEX Zrt. One of the outstanding events in 2019 was the launch of the XBond market on July 1 2019 that offers an alternative trading platform for companies planning bond issues.



## International clientele

KELER CCP has become a relevant player at international markets in recent years. At the end of 2019, the Company was providing clearing services to 149 direct and indirect clients from 23 countries. The composition of the client base is exceptionally diverse with Hungarian and international financial institutions (banks and investment enterprises) as well as non-financial actors such as traders and producers at natural gas and electric power markets and system operators.

## Clients by region



## Continuous oversight and supervision

KELER CCP's operation was crowned by the successful re-licensing procedure as per Regulation (EU) No 648/2012 (EMIR), as a result of which the Company was granted the licence to conduct central counterparty activity on 4 July 2014. Currently, there are 16 licensed clearing houses operating in Europe, and only 2 of them are regional institutions. As a supervised institution, KELER CCP evidences its compliance to legal requirements and international recommendations in annual supervisory audits and biennial oversight audits, both conducted by the MNB.

## REGULATORY ENVIRONMENT



KELER CCP is a central counterparty operating based on Act CXX of 2001 ("Capital Markets Act") as well as by Regulation (EU) No 648/2012 (hereon: EMIR) on OTC derivative transactions, central counterparties, and trading data warehouses, undertaking obligations related to the execution of transactions concluded on regulated market and OTC capital markets.

KELER CCP conducts its activities in accordance with the provisions of the aforementioned laws as well as regulations defined by MNB as the authority supervising the Company.

Based on the Supervisory Authority's decision No. H-EN-III-43/2014, dated 4 July 2014, KELER CCP carries out central counterparty and clearing services as defined in decree No. H-EN-294/2017, on the basis of the Capital Markets Act and EMIR.

Based on an agreement established with KELER, certain components in KELER CCP's activities are outsourced to KELER always in compliance with the provisions of the Capital Markets Act, EMIR, and other relevant legislation.

**The operation of KELER CCP in 2019 was impacted by new legislations and amendments to existing laws listed below, and continue to be impacted by legislation published in 2019 or prior:**

- ▶ Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (MIFID 2),
- ▶ Regulation (EU) No 600/2014 of the European Parliament and of the Council on markets in financial instruments and amending Regulation (EU) No 648/2012 (MiFIR),

- ▶ Regulation (EU) No 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories (EMIR),

- ▶ Regulation (EU) No 909/2014 of the European Parliament and of the Council on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU as well as Regulation (EU) No 236/2012 (CSDR),

- ▶ Commission Delegated Regulation (EU) No 152/2013 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council with regard to regulatory technical standards on capital requirements for central counterparties,

- ▶ Commission Delegated Regulation (EU) No 153/2013 of 19 December 2012 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council with regard to regulatory technical standards on requirements for central counterparties,

- ▶ Commission Implementing Regulation (EU) No 1248/2012 of 19 December 2012 laying down implementing technical standards with regard to the format of applications for registration of trade repositories according to Regulation (EU) No 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories,

- ▶ Act CXX of 2001 on capital markets,

- ▶ Act V of 2013 on the Civil Code,

## REGULATORY ENVIRONMENT

- ▶ Act no. XXIII of 2003 on the finality of the performance in payment and security settlement systems,
- ▶ Act no. CXXXIX of 2013 on the Hungarian National Bank,
- ▶ Government decree no. 459/2015 (XII.29.) of the specifics of the obligations of stock exchanges, depositories and central contracting parties regarding their annual reports and accountancy,
- ▶ Commission Delegated Regulation (EU) 2018/1229 of 25 May 2018 supplementing Regulation (EU) No 909/2014 of the European Parliament and of the Council with regard to regulatory technical standards on settlement discipline (SDR RTS).

MNB decree no. 11/2009 (II.27.) on the requirements concerning the policies of a central contracting party in line with the Act on capital market.

## General assembly

**The Annual General Meeting of KELER CCP was held on 29 May 2019.**

The agenda of the Annual General Meeting included, among others:

- ▶ Report of KELER CCP Ltd. Board of Directors on the activities carried out in business year 2018 (the proposal is identical with the material with the title „Business report on 2018“);
- ▶ Approval of the independent financial reports of KELER CCP Ltd. prepared in line with Act No. C of 2000 on accountancy and based on the IFRS rules, decision on the distribution of the after-tax profit;
- ▶ Amendment of the By-laws of the Supervisory board of KELER CCP Ltd.



**Extraordinary general meetings were held by KELER CCP on 8 March, 11 June and 9 October 2019**

The agendas of the extraordinary general assemblies included, among others:

### 8 March 2019

- ▶ Approval of the Strategy of KELER CCP Ltd. for the period 2019-2023;
- ▶ Amendment of the Articles of Association of KELER CCP Ltd.;
- ▶ Granting powers to amend the outsourcing agreements concluded by KELER Ltd. and KELER CCP Ltd.

### 11 June 2019

- ▶ Approval of the Strategy of KELER CCP Ltd. for the period 2019-2023;
- ▶ Amendment of the Deed of Foundation of KELER CCP Ltd.;
- ▶ Granting powers to amend the outsourcing agreements concluded by KELER Ltd. and KELER CCP Ltd.

### 9 October 2019

- ▶ Amendment of the Article of Association of KELER CCP Ltd.;
- ▶ Amendment of the Cooperation agreement between KELER Ltd. and KELER CCP Ltd.;
- ▶ Granting powers to conclude the Collateral agreement between KELER Ltd. and KELER CCP Ltd.;
- ▶ Broadening the financing opportunities for KELER CCP Ltd..

## BUSINESS REPORT OF KELER CCP



The performance of the Hungarian economy has been constantly growing since 2013 that led to a steady 5% increase of the GDP in the last year. Hungary's outstanding performance makes the country one of the best performers in the EU. Owing to the economic boom the state debt is at its lowest rate in the last decade at under 70%. The industry, the construction industry and the services contributed the most to the GDP growth, so the KELER CCP also contributed a fair share to this growth with its own tools and ways.

Taking advantage of the favourable economic situation KELER CCP applied a 50% fee increase in December 2018 at the riskiest and most capital-intensive clearing market (at the energy market), then this fee level was decreased by 20% at the beginning of August 2019. Since KELER CCP managed to keep the vast majority of the Clients despite the new fees adjusted to the capital-related expenses, the energy market made a new fee-related income record at an annual income of nearly HUF 700 million. The turnover of the domestic clearing house in the gas markets (especially in CEEGEX) exceeded all previous expectations, so despite the stagnation of income from capital markets, KELER CCP scored its highest fee-related income from service provision ever. The income from the central counterparty activities exceeded the annual plan by nearly HUF 80 million.

The operation expenses of the clearing house exceeded the planned figures by some million Forints because the expenses of banking services and the expenses connected with the infrastructural services provided by KELER significantly exceeded the planned amounts, furthermore KELER CCP had to account depreciation for an immaterial asset.

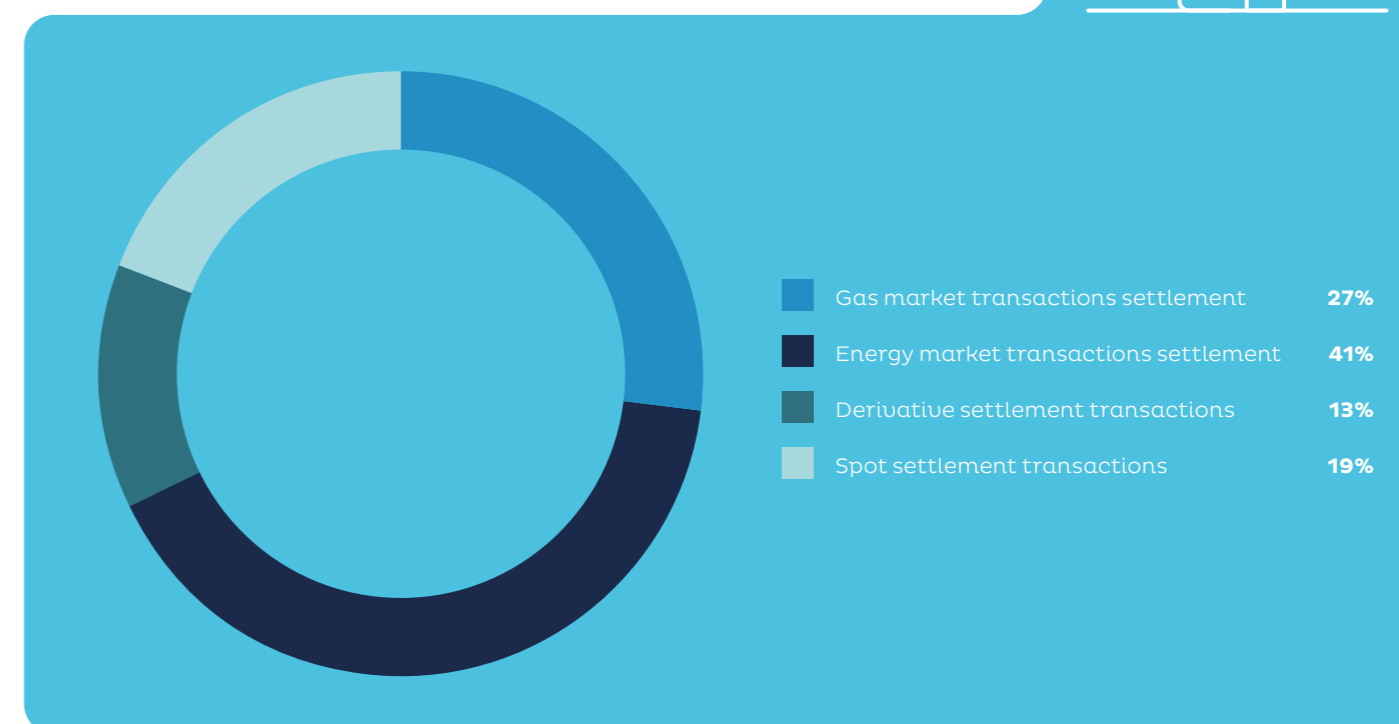
The annual interest result of KELER CCP was HUF -7.8 million, while the result from the re-evaluation of the assets and liabilities in foreign currency was HUF +45.6 million. The bottom line of the financial results was HUF 37.8 million.

The result of the business operation at HUF 434 million shows a rather favourable image as KELER CCP set a new record, exceeding the result planned for the subject year by more than HUF 90 million. The amount of before-tax profits at HUF 471.8 million is also a new record, just like the result of the business operation.

## KELER CCP Results (amounts in HUF million)

Item (amounts in HUF million)	2018 actual	2018 plan	2019 actual	Performance actual/plan 2019 (%)
Revenues from central counterparty activity	1 371,7	1 636,0	1 713,2	104,7%
Revenues outside central counterparty activity	195,1	160,0	196,9	123,0%
Expenditures on banking services, fees and commissions paid	66,9	72,9	79,0	108,4%
Personnel costs	401,2	496,0	469,8	94,7%
Depreciation	125,4	121,3	92,7	76,5%
Other non-interest expenditures	725,6	764,3	796,0	104,1%
Impairment of financial instruments	0,1	0	0,2	0%
Obligations due to financial guarantees; release of funds	0,5	0	0,3	0%
<b>Operating expenses</b>	<b>1 319,6</b>	<b>1 454,4</b>	<b>1 436,4</b>	<b>98,8%</b>
Impairment losses	89,5	0	23,7	0%
<b>Operating result</b>	<b>157,7</b>	<b>341,6</b>	<b>449,9</b>	<b>131,7%</b>
Net interest result	-8,7	0	-7,8	0%
Other financial result	43,9	0	45,6	0%
<b>FINANCIAL RESULT</b>	<b>35,3</b>	<b>0</b>	<b>37,8</b>	<b>0%</b>
<b>PROFIT BEFORE TAX</b>	<b>193,0</b>	<b>341,6</b>	<b>487,7</b>	<b>142,8%</b>

### Revenues from counterparty services (2019)



## RISK MANAGEMENT



### Counterparty risks Clearing membership system

The number of KELER CCP's Clearing and Non-clearing Members in 2019 was similar to that of at the end of 2018.

A total of 32 institutions in all sections and range of products of the Budapest Stock Exchange had clearing or non-clearing membership licence, that is four more than in 2018. General clearing memberships were held by 11 institutions, individual clearing memberships were held by 7 institutions, and 14 institutions held non-clearing memberships at the end of 2019.

There were no substantial changes in the gas markets in 2019 as opposed to 2018. The numbers of Clearing Members increased at all gas markets, except for the Trading Platform. KELER CCP had 22 members with classic Trading Platform memberships, while their number in the Balancing Clearing was 56. At the CEEGEX and HUDEX markets, KELER CCP had 40 and 23 clearing members, respectively. The number of Non-clearing Members on the markets cleared by ECC amounted to 73 by the end of 2019.

KELER CCP's counterparty risk management is based on properly selected basic requirements as well as on monitoring and scrutinising the observation of said requirements. Prior to approval of Clearing and Non-clearing members, a comprehensive risk analysis is carried out by KELER CCP, to be followed by annual analyses subsequently, using internally developed Know Your Client (KYC) questionnaire and risk sensitive rating system. As a result, it is ensured that only reliable participants may join the system. In order to ensure

higher level of counterparty risk management, KELER CCP implemented a trading limit at the end of 2017, extending it to all Energy market Non-clearing members at the energy markets at the beginning of 2018, which facilitates an even more efficient management of risks at markets cleared by ECC. The KYC was reviewed in the first half of 2019 and the questionnaire was supplemented and made more accurate for the purposes of the easier and clearer completion of the form. Amendments were approved in July.

### Market risks – Individual collaterals of clearing members

One of the key core activities in KELER CCP's risk management is to constantly monitor the compliance of individual collateral and maintain the collateral system. In 2019, initial margin for capital markets and the related spread discounts were amended several times, and appropriate initial margin values regarding new products were determined in each case on the basis of information available. The collateral calculation methodology is compliant with legal requirements; nevertheless, Risk Management Department is working continuously on enhancing methodologies and ensures regular reviews.

As for energy markets, trading limits introduced in 2017 and mostly affecting spot markets were applied in 2019 as well, but, additionally, a margin requirement limit was implemented for all Energy market Non-clearing members at energy markets

to maximise future market exposures, as a result of which not only spot markets but also exposures from derivative market trading are now limited and collateralised. KELER CCP directed emphasis on fine-tuning the limit calculation methodology and automation of the related processes. Over the applied limits, traders themselves can now define the value of additional collateral subject to the trading limit they need.

In 2019 the harmonization of the gas market was an important objective and as a result several important changes were introduced from January 2020 in order to ensure that FGSZ can provide as many uniform services as possible with the simultaneously operating CEEGEX/HUDEX. Therefore, from January 2020 both FGSZ platforms and CEEGEX/HUDEX operate with daily Euro-based settlement and with a more unified product structure than before.

### Default funds

KELER CCP's risk management checks the adequacy of the default funds defined for capital markets and gas markets daily in line with EMIR requirements and uses a calculation methodology for default funds on the basis of the daily stress test calculations. The methodology to calculate default funds is reviewed annually. Upon the review in 2019 the company found the default fund calculation and allocation methodologies to be acceptable, also with a view to the methodology modifications that are currently subject to the review of the supervisory authority. The completion of the approval process and the entry into force of the methodology amendments are expected in 2020.

At the Trading Platform (TP) market, the default fund proved appropriate coverage against potential risks. The methodology was subjected to a review, but no changes were necessary. The methodology of the establishment of the TP default fund was not modified but it was an important change that the default fund is Euro-based from 2020 instead of HUF and the members shall provide their contributions in EUR. The minimum membership contribution for Balancing clearing members is EUR 15,000, while for Balancing clearing members and Trading Platform clearing members it is EUR 30,000.

### Collateral assets

The scope of eligible collateral instruments in the subject period was defined in line with EMIR requirements, and the parameters were reviewed regularly. From the aspect of market players, a major change occurred when acceptance of bank guarantees provided by non-financial market participants for the purpose of collateral coverage was abolished. Bank guarantees earlier approved were used as collateral until 31 December 2018, but they have not been considered eligible collateral since 1 January 2019.

Another important change is that only EUR cash is accepted as collateral from January 2020 for CEEGEX/HUDEX/ Trading Platform and balancing gas purposes. The rate of the haircut is 0%. From 20 January 2020 only EUR is accepted for energy market purposes, as well.



## MARKET AND PRODUCT DEVELOPMENT



### Budapest Stock Exchange

In 2019, the Budapest Stock Exchange (BÉT) never lost momentum and continued to meet its strategic objectives defined for the five-year period between 2016 and 2020. Stock exchanges are one of the main pillars of competitive and innovative economies. It is BÉT's mission to foster companies' stock and bond financing plans efficiently and to play a catalyst role in the expansion of funding opportunities of Hungarian companies, enhancing competitiveness of the Hungarian economy. As part of this endeavour, the BÉT established the Nemzeti Tőzsdefejlesztési Alap (National Fund for Stock Market Development; NTfA) in 2017.

The objective of setting up NTfA, similarly to the ELITE Programme, was to provide support for companies that decide to take the contest and be listed on BÉT's Xtend market. The BÉT Xtend is a capital financing market that was designed specifically to foster small and medium enterprises' (SMEs) plans to go public.

Eventually, the first successful IPO at the BSE Xtend market took place in December 2018 with the securities of Megakrán Nyrt., followed subsequently by CyBERG Corp. Nyrt.'s listing. In 2019 the shares of other two companies were listed (DM-KER Nyrt. and GOPD Nyrt.).

MNB started the Funding for Growth Scheme (NKP) on 1 July 2019 through which ca. HUF 300 billion will be spent on the acquisition of bonds with proper rating issued by non-financial companies with Hungarian domicile. Simultaneously with the commencement of the programme the BÉT launched a new market with the name BÉT XBond for companies planning bond issuance where the participating companies can go

public with some easier conditions. Since the licensing of the XBond the first IPOs took place for MOL Nyrt. bonds, followed by CORDIA International Ingatlanfejlesztő Zrt. bonds.

In June 2019 the securities of a new company became available at BÉT when the trading with MKB Bank shares started. Another two companies the 4iG and the AutoWallis also jumped the fence in 2019 and they have been promoted to the Premium category. After the reclassification and after the cancellation of Konzum (that merged into Opus), the shares of 20 companies were listed among the top class papers of the stock exchange.

In addition to new shares listings to the market, numerous new mortgage bonds, investment notes, bonds, and certificates were added to BSE's product portfolio. By introducing those new instruments, the securities market kept on expanding in 2019, as well. In the scope of debt securities, the bond issue activities of the Bank of China and of the International Investment Bank were outstanding.

### BÉTa

The Budapest Stock Exchange expanded the scope of products registered at the trading venues of foreign securities, reaching to 7 exchange traded funds and 19 shares to the product offering in 2019.

### MTS Hungary

MTS Hungary, providing price quotation for Hungarian state bonds, has been operated by MTS S.p.A. since March 2019. A wide range of products was offered in 2019 as well to Hungarian and non-resident players in the primary government securities market with Hungarian government bonds, Discount Treasury Bills, and Student Loan Bonds traded in addition to bonds issued by Magyar Fejlesztési Bank (Hungarian Development Bank).

### Balancing Platform (IP) and Trading Platform (TP)

The basic changes of the operation model were prepared in 2019 led by FGSZ, the Hungarian natural gas supply network system operator. The purpose of the preparation was increasing both the safety of the physical supply and the safety of the financial settlements, furthermore the harmonization of the trade and settlement practices of the different domestic natural gas markets. For the purposes of increasing financial safety the Act on natural gas supply (Get.) was amended with effect from 1 January 2020 at the initiation of FGSZ and this prescribed that system users may participate in balancing settlement only through a central counterparty in Hungary. Regarding the harmonization of the market operation HUF trading and monthly payments were replaced by EUR trading and daily payments, also with effect from 1 January 2020.

### CEEGEX

The trading rules of spot products changed in the spring of 2019 and as a result an extra day is now available for traders to trade the products of the weekends and public holidays.

### HUDEX

In the autumn of 2019 the long term product scope widened again and seasonal and annual contracts have been introduced beyond the common monthly and quarterly contracts. Furthermore, the balance of month product was introduced as a tool that supports daily balancing.

### Energy markets

Energy trade shows growth every year both regarding the traded volumes and the number of participants and this was not different in 2019 either. The consolidation of the trading venues continued in 2019. For this purpose, preparatory actions were taken, as a result of which from 1 January 2020 the EEX integrated the Powernext-PEGAS platform. After lengthy preparations on 19 November 2019 in the so-called second wave also the HUPX joined the connection of intraday markets (XBID). The successful connection led to never seen trade volumes in the intraday trading.

## Trading venues in the light of figures

### Budapest Stock Exchange (BÉT) – Spot Market

The trading volume of the BÉT spot market amounted to HUF 2,652.9 billion in 2019 as single counted trades, down 10.14 per cent in annual terms. The average daily trading volume was HUF 10.8 billion from HUF 12.1 billion reported one year earlier (with 246 trading days in 2019 and 244 in 2018).

Within the spot trading volume, stock transactions accounted for 97.06 per cent (after 94.55 per cent in 2018) with an annual trading volume of 2,574.8 billion in 2019. This represented a 7.76-percent annual decrease in comparison to the previous year. Consequently, the annual daily average trading volume was HUF 10.46 billion compared to HUF 11.44 billion one year earlier.

The number of registered spot transactions at BÉT was 1,816,651 in 2019 as single counted trades, down 3.9 per cent from 2018. Within the transactions, the quantity of stock deals was 1,634,399 that was 89.97 per cent of all transactions. The average daily transaction number at the spot market of the BÉT was 7,385 in 2019 after 7,747 one year earlier. In particular, the average daily number of stock transactions amounted to 6,644 in 2019.

### Budapest Stock Exchange – BÉTα Market, BÉT Xtend, BÉT XBond

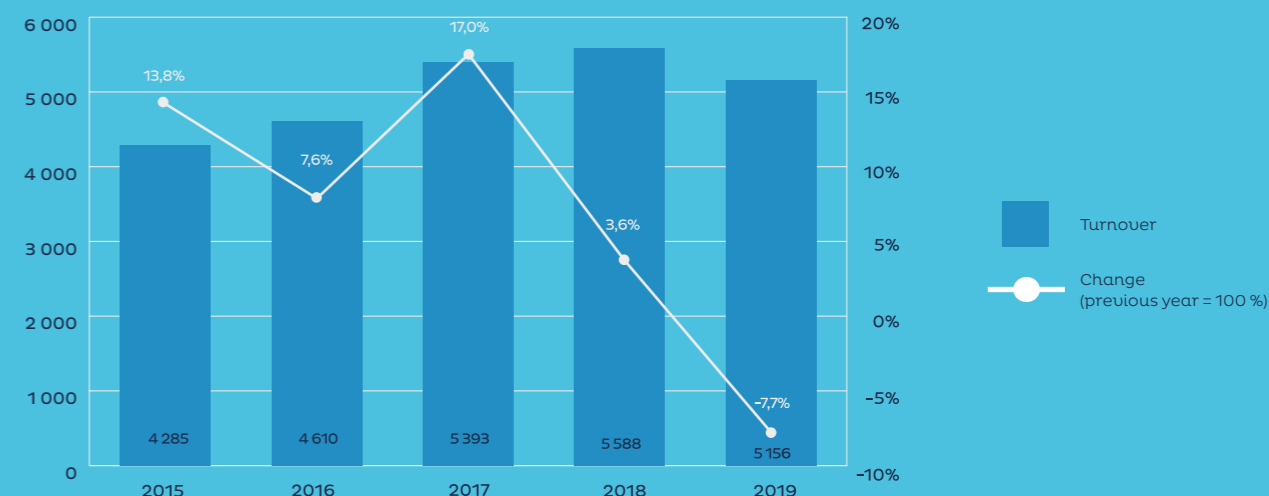
In 2019, the stocks of 19 international issuers and 7 ETFs were traded at the BÉTα Market. The annual single counted trading volume of foreign stocks amounted to HUF 3.3 billion in a total of 12,436 transactions. In the previous year, 9,804 transactions had generated HUF 2.7 billion trading volume. The average transactional value in 2019 amounted to HUF 0.26 million (0.27 million in 2018).

### Budapest Stock Exchange (BÉT) – Derivative Market

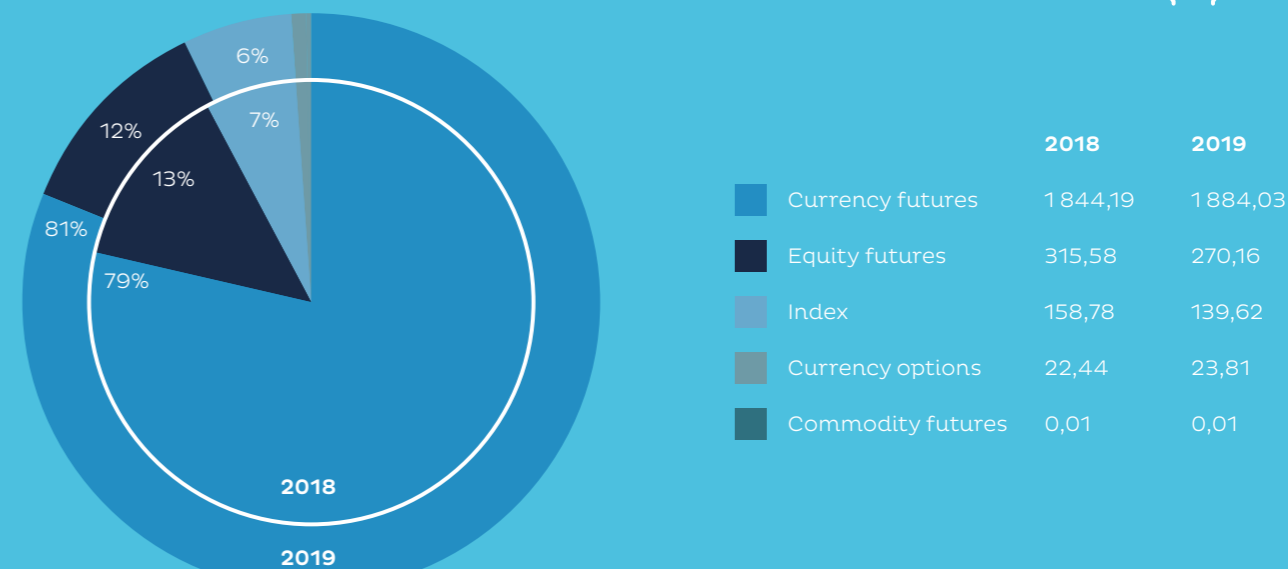
The annual single counted trading volume reported at market prices at the derivative market amounted to HUF 2,318 billion in 2019, which represented a slight decline of 1 per cent from the comparative period in the previous year. The currency futures accounted for a decisive quantity of the trading volume in 2019 again at HUF 1,884.03 billion, increasing their share from 78.8 per cent to 81.3 per cent. After last year's boom the trading volume of currency options, grew again by 6.13 per cent amounting to HUF 23.81 billion in 2019. The annual trading volume of single stock futures amounted to HUF 270.16 billion, down 14.39 per cent from 2018. The volume of index based futures contracts decreased to HUF 139.62 billion from previous year's trading volume of HUF 158.78 billion.

The volume of commodity future deals amounted to HUF 8.8 million in 2019 after last year's HUF 9.8 million.

## Trading volumes at spot markets (BSE, BSFA, Xtend) 2015–2019 (duplicated), HUF billion



## BSE derivative turnover by product, 2019 and 2018, HUF billion



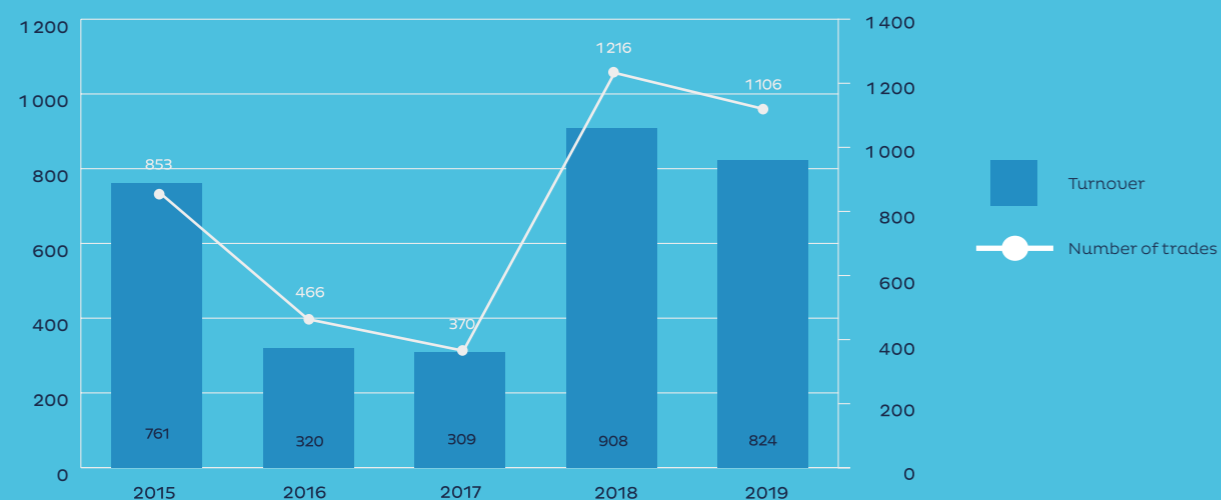
MTS - MTS Hungary

In the primary market of bonds issued in Hungary, 1,106 transactions were executed by the financial institutions, totalling HUF 824.2 billion versus 1,216 transactions and a HUF 907.7 billion total in 2018.

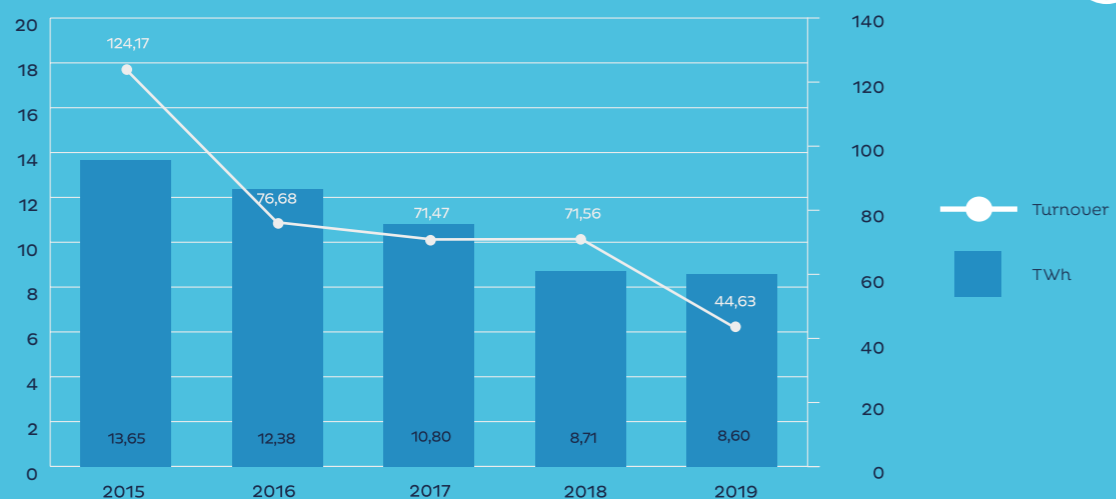
FGSZ - Balancing Platform and Trading Platform

The natural gas balancing market in Hungary reported 8.71 TWh in 2019, totalling HUF 44.63 billion. The traded quantity decreased by 1.24 per cent, and the traded volume at market value dropped by 37.64 per cent in comparison to 2018.

MTS Hungary cash turnover and number of trades 2015-2019, HUF billion (double-counted)



Trading volumes of Order Book Balancing Platform and Trading Platform 2015-2019 (duplicated), HUF billion, TWh



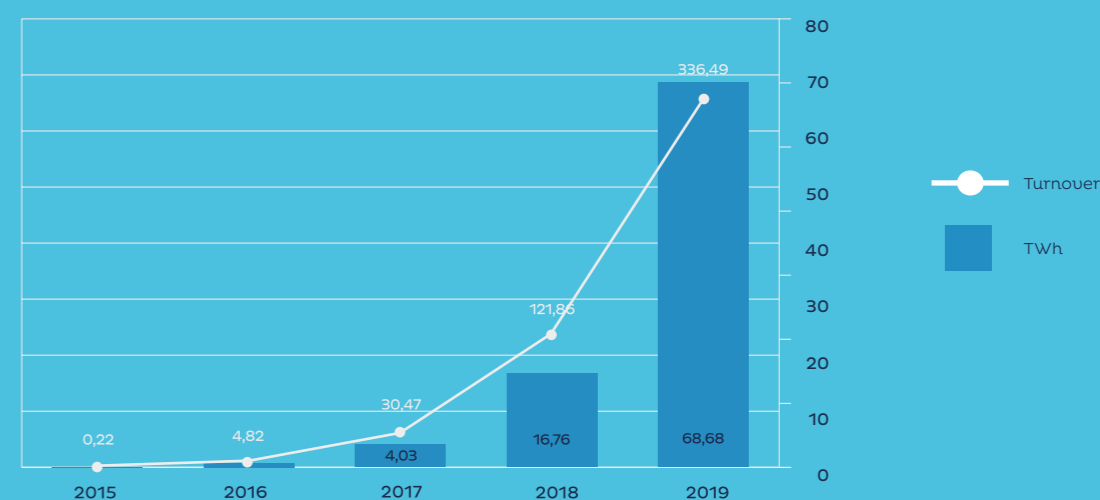
CEEGEX

The trading volume of the spot gas market (within-day and day-ahead transactions) jumped significantly in 2019. The fundamentals for this dynamic growth was laid down by the euro-denominated trading, settlement and clearing introduced in the autumn of 2017, which made a substantial impact on the trading volume. In 2019, the duplicated annual quantity volume was 68.68 TWh with an annual total of HUF 336.5 billion, both up from 16.76 TWh and HUF 121.86 billion in the previous year.

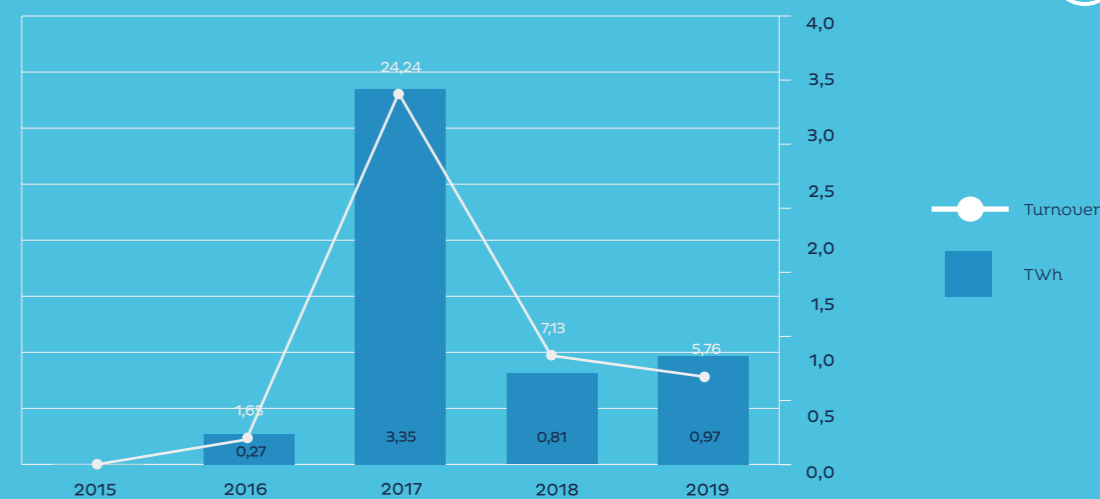
HUDEX/GAS SEGMENT

The gas market participants realised 0.97 TWh traded quantity at the domestic derivative energy exchange, compared to 0.81 TWh of the previous year. Volume reported at market value amounted HUF 5.76 billion total in 2019.

CEEGEX spot trading volume 2015-2019 (duplicated) HUF billion, TWh



HUDEX/Gas futures trading volume 2015-2019 (duplicated) HUF billion, TWh

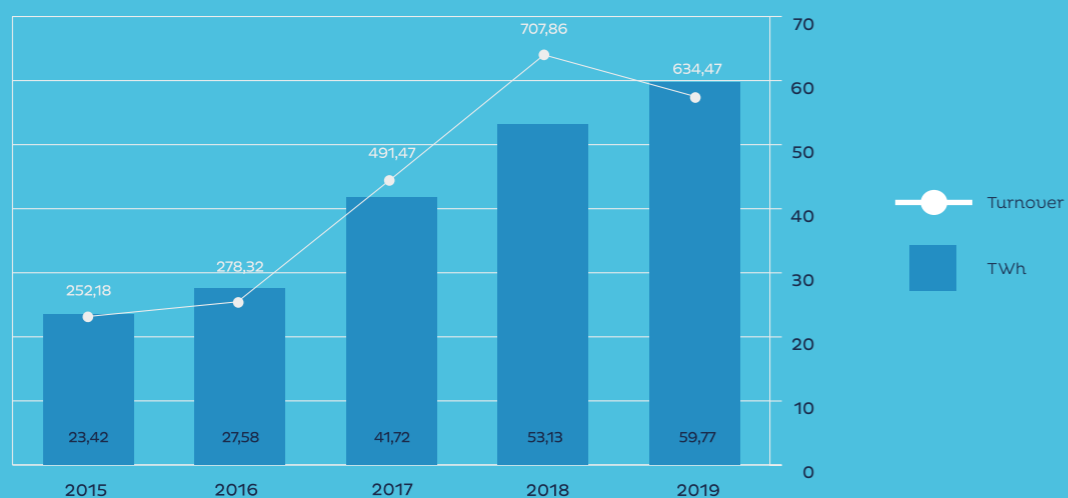


Energy markets - Spot markets

The spot energy markets cleared as part of the general clearing services provided by KELER CCP were characterized by growth in 2019, as well. KELER CCP clients are engaged at those markets in the trading of electric energy, natural gas, CO2 emission units and capacity products. The volume in 2019 was 59.8 TWh that is up 12.5 per cent compared to 2018.

Within the individual market segments, the market share of within-day and day-ahead power products were decisive at 33.6 TWh traded quantity in 2019 (from 34.7 TWh in 2018). At the same time, the spot market of natural gas product experienced some growth: 26.2 TWh in 2019 versus 18.6 TWh in 2018.

Spot energy market trading volume 2015-2019 (singular) HUF billion, TWh

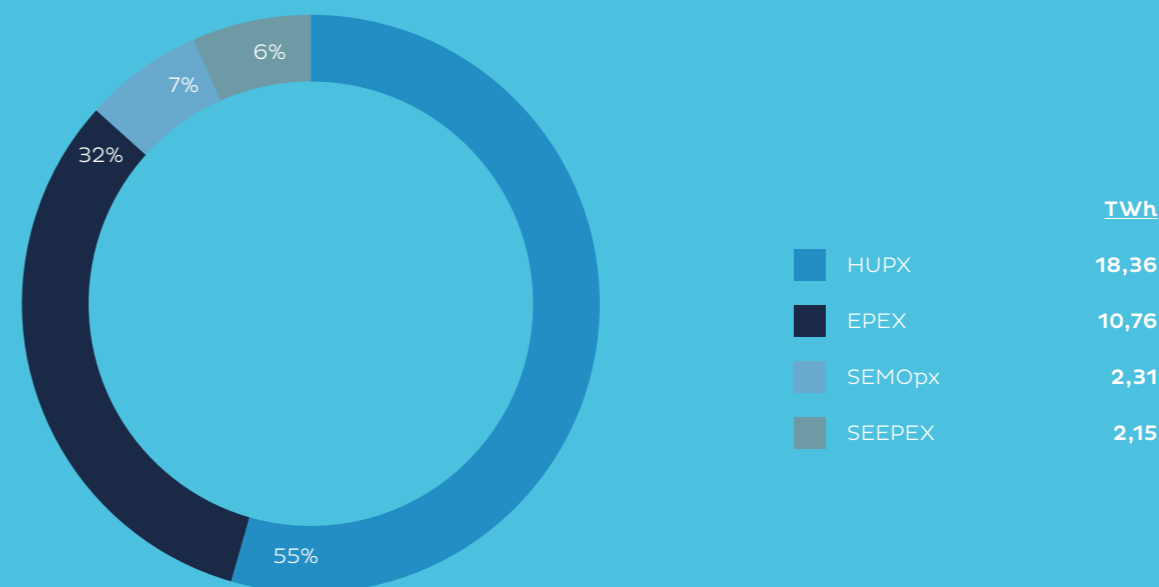


The total annual volume of 33.6 TWh of the spot electricity markets were provided by four trading venues, led by HUPX, the Hungarian electricity market at a volume of 18.36 TWh (55 per cent of the market), while the pan-European EPEXSPOT scored 10.76 TWh (32 per cent) in 2019, SEMOpx reported a 2.31 TWh volume, representing a market share of 7 per cent, while the Serbian electricity market SEEPEX claimed 2.15 TWh volume and a 6-percent share against the total.

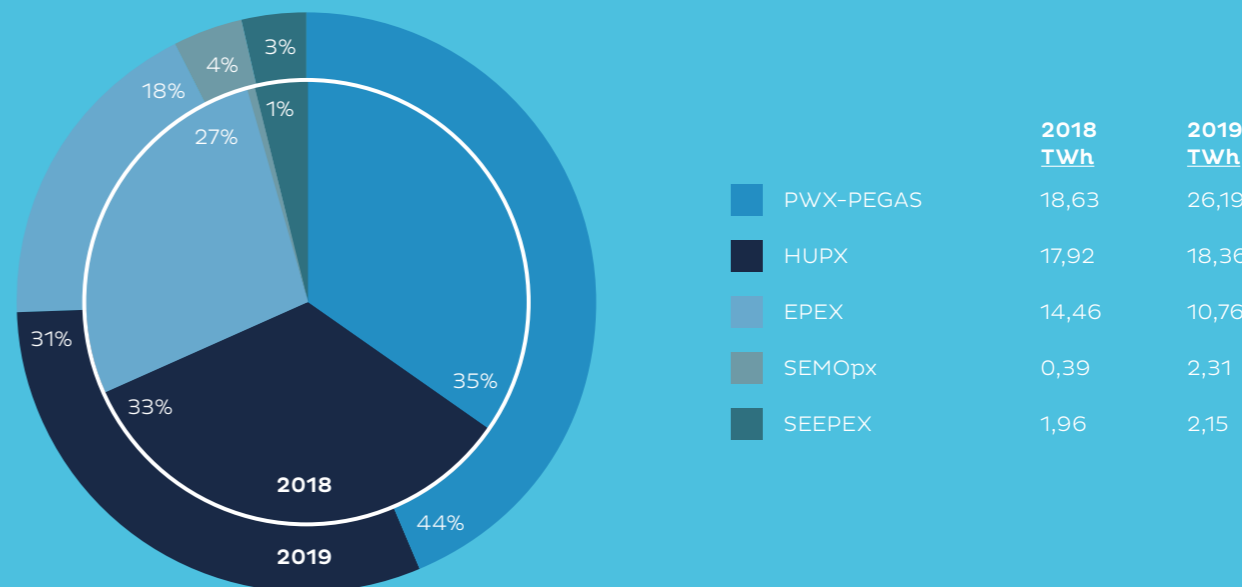
Within the total traded volume at energy markets, including gas markets as well, Powernext-PEGAS continued to increase its share with 44 per cent in 2019 after previous year's figure of 35 percent.

KELER CCP had a 41 percent share in 2019 at HUPX spot market, a key market venue for the Company.

Spot electric power markets trading volume by exchanges in 2019 (TWh)



Spot energy markets trading volume by exchanges in 2018, 2019 (TWh)



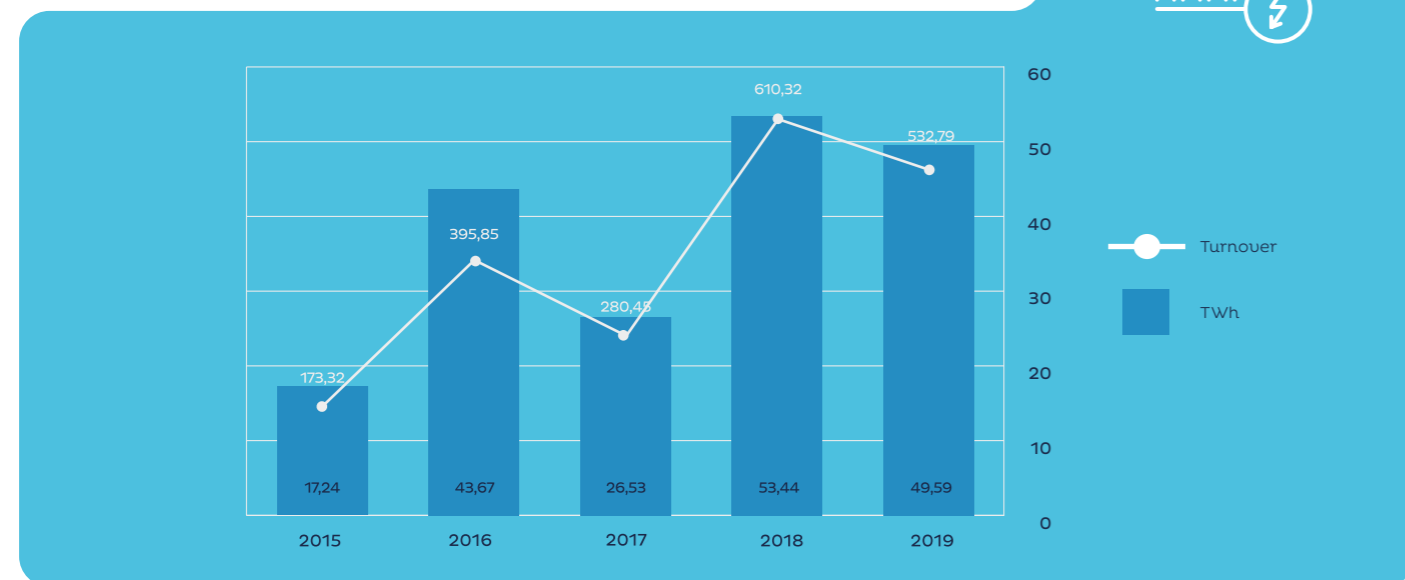
### Energy markets – Derivative markets

In 2019 KELER CCP clients executed futures deals at a total of 49.59 TWh and HUF 532.8 billion, with futures gas and electricity products accounting for 54.9 per cent and 45.1 per cent, respectively.

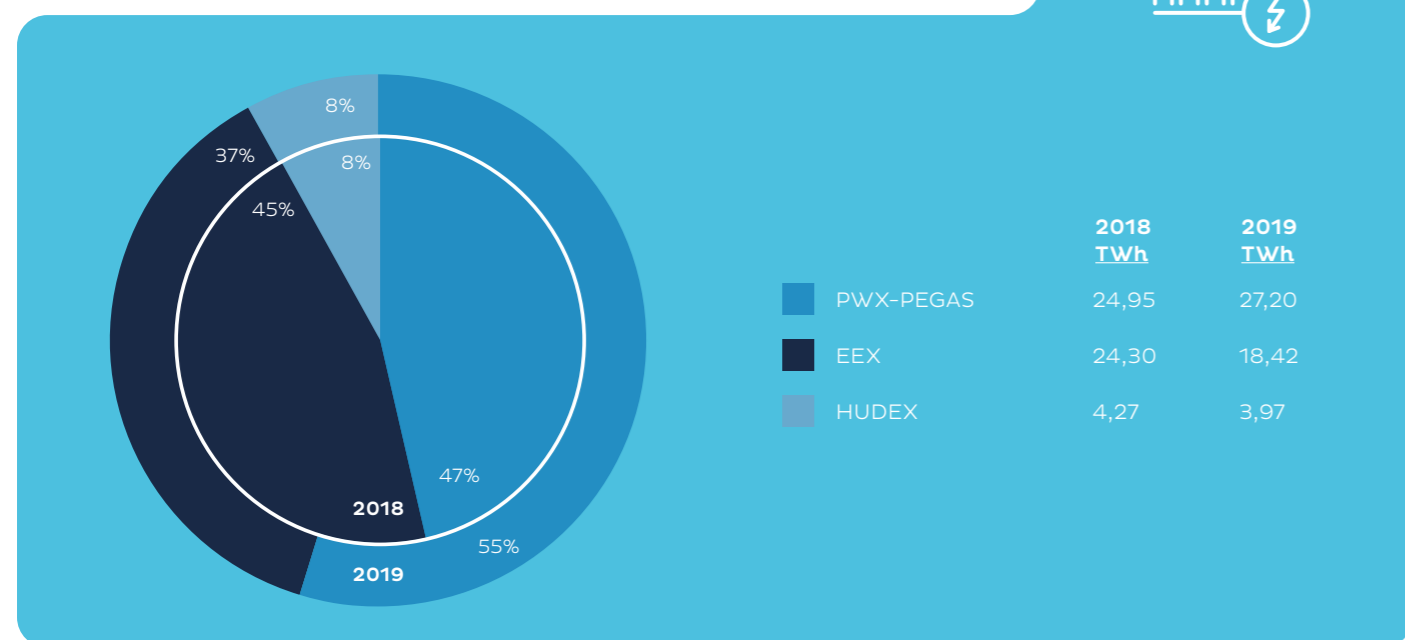
Based on distribution of the total volume among the various markets cleared by KELER CCP, futures gas market Powernext claimed 54.9-percent share, followed by the EEX futures market with 37.1 per cent and futures market HUDEX with 8 per cent.

At the HUDEX futures power market, KELER CCP's market share was 43.3 per cent in 2019.

Futures energy market trading volume 2015-2019 (singular), HUF billion, TWh



Futures energy market trading volumes by exchanges in 2018, 2019 (TWh)



## CLIENT RELATIONS



### Client acquisition

In 2019 KELER CCP continued to be active in the field of client relations, just like in the previous years. By the end of the year KELER CCP had 56 Clearing Members in the Hungarian gas market (40 of them present in CEEGEX, as well) and 73 Non-clearing Members in ECC markets. Thirteen companies are active in the Hungarian gas market and as a Non-clearing Member in one of the ECC markets, so the energy market sales department has contact with 116 clients altogether. The increase of the number of gas market clearing members is a consequence of the amendment of Act no. XL of 2008 on natural gas supply as starting from 1 January 2020 the balancing clearing shall be performed by the central counterparty (KELER CCP) that requires market participants to obtain for mandatory clearing membership. Despite the appearance of the newly joined Non-clearing Members of the energy market, the total number still decreased by 3.

The increasing clientele was a challenge for the sales and client relations team that now consists of two colleagues. It has to be noted that Irish and Northern Irish traders are still interested in our services, therefore now KELER CCP has 6 Non-Clearing Members (a growth from 4 earlier) from the 51 traders of the Irish exchange.

As to the capital market, the harmonization of the cooperation with the Kazakh AIX (Astana International Exchange) continued. Expert consultations and preparations are underway, after which KELER will provide depository services, while KELER CCP clearing services to the newly founded exchange. After 2018, KELER participated again in 2019 in the conference held by AIX.

### Business exhibitions

In February 2019, KELER CCP also participated as an exhibitor at the exhibition and fair E-World Energy & Water, traditionally held in Essen, Germany, the energy sector's biggest event in Europe which attracts over 25,000 visitors and more than 780 exhibitors each year. Our sales team conducted business discussions with more than 20 clients at the exhibition.

The regional conference Energy Trading Central and South Eastern Europe (ETCSEE) in June was hosted by Budapest again. KELER CCP was not just an exhibitor but also a sponsor. Beside international exhibitions, KELER CCP pays special attention to the participation in domestic energy market (natural gas and electricity) events, therefore KELER CCP is a regular participant and sponsor of the Gas Conference of the domestic gas profession and the electric power conference of MEKSZ (Hungarian Energy Traders' Association).

The energy sales team was also present in June 2019 in Athens at the Energy Commodities Conference that offered the opportunity to meet Greek clients and KELER CCP was also present in other two EEX group events during the summer.

### International relations

KELER CCP is a member of the international organisations AFM (Association of Futures Markets) and EACH (European Association of CCP Clearing Houses) and, as a result of its membership, it regularly attends meetings organised by them and also participates in the work of working sub-committees. KELER CCP also attends regularly the events held by the clearing members' working group at ECC (European Commodity Clearing AG), which is engaged in the development of clearing market settlement. The Company also attends events organised by the exchange group EEX.

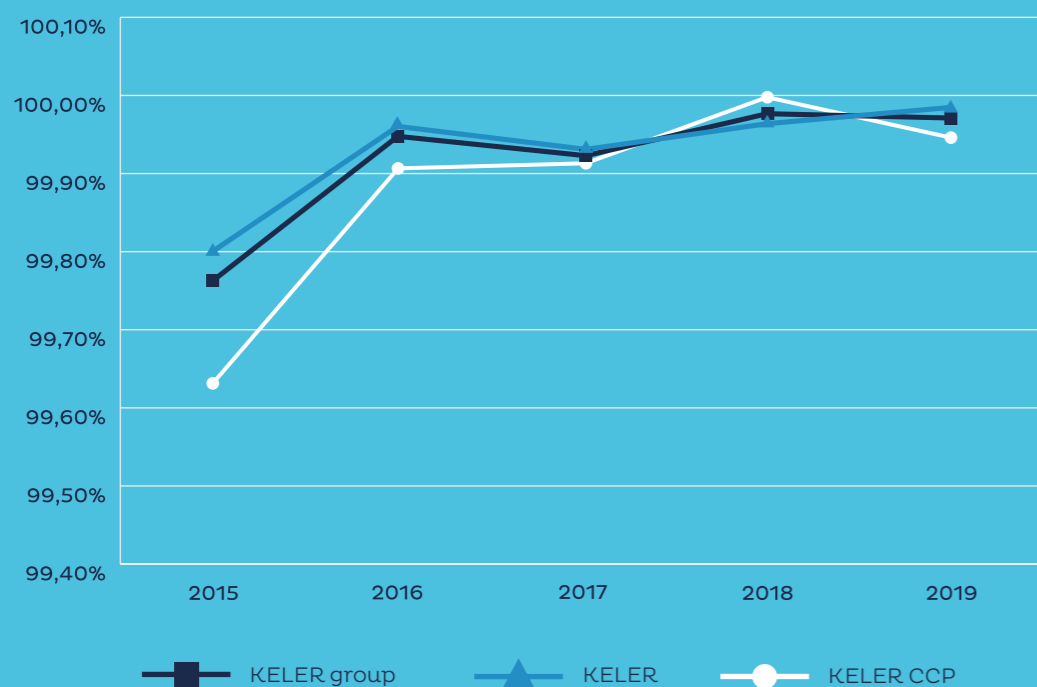


# INFORMATION TECHNOLOGY

In 2019 the main goal of the IT operation was to ensure high-level system availability for clients. The annual availability of the KELER CCP systems reached 99.95% in 2019.

The display platform, connected to the monitoring system that went live in 2018 and proved to be successful in practice, efficiently assists the immediate localization of unexpected errors, further supporting the high standard operation of the services. The automatic monitoring works not only for the applications but also for the devices providing the infrastructure.

## System Availability for client 2015-2019



In comparison to the previous year the System Availability for client indicators shows both positive and negative results. While the indicator for KELER Group did not change substantially, it was minimally lower for KELER CCP (just 0.05%) and for KELER the indicator shows increase. This marginal decrease in this indicator can be traced back to the system failure caused by our SWIFT partner on 29 April 2019. This incident caused that the system was unavailable for KELER Group clients for 124 minutes.

At the end of Q1 2019 the IT fully renewed the data centre infrastructure serving KELER business purposes. The redundant operation expected by the Clients and the Owners can be ensured with the scalability and high availability of the new devices. A technological environment was created that can ensure the satisfaction of the new business needs on the long run.

In 2019 the IT Directorate performed the below enlisted major tasks successfully regarding KELER CCP systems:

- ▶ A successful Disaster Recovery test conducted by KELER on 23 November 2019 regarding the redundancy abilities of the new infrastructure. The test simulated the breakdown of one of the data centres and the systems started running successfully at the other site and the KELER services were up and running within the expected deadline that was also undertaken towards the Owner and the systems run properly even with one available site.

- ▶ During project work to develop a framework for potential future cooperation the developments necessary for the launching of the AIX project (service provision for the Kazakh exchange) have been handed over for testing. Due to the complexity of the project, even though the actual settlement has not started yet, but the KELER CCP systems are ready to provide settlement services for AIX. Changes concerned four KELER CCP systems.

- ▶ KELER CCP Risk management system – IRIS: By the end of the year the 1st and 2nd packages went live along with the back test, CRR data provision function and troubleshooting regarding the earlier functions. Furthermore, the realization of the stress test functionality started.

- ▶ Gas market switch to EUR: As a precondition for the replacement of the current settlement bank of KELER CCP the settlement of the balancing and trading market operated by FGSZ Zrt. was changed to daily and Euro-based settlement.

- ▶ Gas market developments concerning CEEGEX products: On CEEGEX side the expandability of the trading of spot products was introduced, while as a HUDEX product development the Balance of Month (BoM) product was introduced, so KELER CPP is ready for the clearing of these products.

- ▶ Energy market report migration: As a Clearing Member of ECC, adjustments of the KELER CCP systems were carried out in 2019 in connection with the introduction of the C7 system of the Deutsche Boerse group.

- ▶ Introduction of the KELER Depository Risk Management system (KÉK): The KELER Risk management department used to apply an Excel-based depository risk management programme package and now this has been replaced with an integrated web-based system.

## HUMAN RESOURCES POLICY



As in previous years, the main objective of the human resources policy area in 2019 was to support business areas in order to ensure high-quality labour for KELER CCP.

As of 31 December 2019 KELER CCP had 23 employees.

The following important changes took place in 2019 concerning KELER CCP:

- ▶ For the purposes of legal compliance on 1 March 2019 the KELER CCP CEO was revoked from the position of risk management director held at KELER and employed only by KELER CCP.
- ▶ Simultaneously, the position of an IT manager was created at KELER CCP (CTO – Chief Technology Officer).
- ▶ The position of independent Compliance officer (CCO – Chief Compliance Officer) has been also filled starting from April 2019. The above organizational changes helped KELER CCP to comply with the regulatory requirements for the separation of the above positions totally from the parent company.

Through training and individual education, KELER CCP put a large emphasis on retaining employees and filling vacant positions with well-trained employees. An English language course also started at the end of the year in several groups of beginner, intermediate and advanced levels.

Nine colleagues work at the Risk Management Department and eight colleagues at the Clearing Department in shifts partly covering each other. The support of the integration of new employees, the motivation and retention of the current staff and the proper staffing are all priorities for the successful corporate projects of the future.

The NEXON HR registry system was launched in 2019 to support HR administration that enables swift access to HR data and the visualization of HR reports.

For the purposes of the integration of new colleagues complex training days have been held starting from 2019 and the freshly hired colleagues could get familiar with the operation of KELER CCP, as well. Four training days were held in 2019 in which also KELER CCP colleagues participated.

## INTERNAL AUDIT



KELER CCP does not carry out independent internal audit activity, therefore, pursuant to the agreement established with KELER and on the basis of assignment from the Supervisory Board, this function is fulfilled by KELER Internal Audit in respect of KELER CCP as well.

Internal Audit carried out its responsibilities in 2019 as well in accordance with its annual work plan and unscheduled internal audit needs based on risk assessment and risk analysis – as approved by the Supervisory Board – and also in line with the operational rules of the internal audit system in effect. In the definition of audit tasks, the audit of the operation of risk-bearing, high-priority activities, and controls constituted an essential aspect. Mandatory review activity of new or amended regulatory documents was also carried out by the internal audit organisation.

In 2019, one audits were carried out at KELER CCP with focus on IT banking security and eight others that focused outside the scope of IT. Within the audits, three topical, one follow-up and five targeted audits were implemented.

Topical audits involved the areas listed below:

- ▶ Remuneration policy;
- ▶ Clearing processes related to the Energy markets;
- ▶ Guarantee elements and Guarantee systems.

As part of the targeted audits, haircut compliance, audited the client and partner rating process, liquidity management, handling a troubled client, and conducting disaster recovery tests were reviewed.

As part of the follow-up audits, the measures prescribed by the evaluation carried out by the regulatory authority, were subject to internal follow-up audits.

The audits were targeted particularly at compliance with stipulations laid down in laws and internal regulations and directives; operability of controls; enforcement of security aspects, with special view to carrying out reviews regarding the implementation of measures and recommendations deemed necessary on the back of deficiencies identified in previous audits.

## SECURITY MANAGEMENT



Security Management continued the new security strategy elaborated in 2018. In 2019 the previously started consolidation activity was continued and new security measures were introduced towards solutions that are safer, modern and that provide better user experience.

- ▶ Starting early 2019 build-up of a security team with a higher headcount started the realization of the goals. The joining of new employees ensured a much broader competence and this led to the professional strength of the Security Management at several areas relying on own, internal resources that enhances a more efficient cyber-security resilience in the company. Phase one of the from-scratch redesign and implementation of the methodology was completed.
  - ▶ In the course of 2019 KELER elaborated a new business impact assessment methodology based on which the BIA survey was updated.
  - ▶ Just like every year, also in 2019 the BCP and DRP plans for supporting IT systems to be applied in the event when critical business processes are disrupted, were updated. Testing of our fully-fledged reserve site was carried out successfully last year too, and updated BCP tests were also run by business areas along with a full-scale switchover between the two data centres, which constitute the basis of DRP processes.
  - ▶ Security Management tested employees' security consciousness and approach on numerous occasions on a case-by-case basis, and also established a role training within the annual education system, ensuring dedicated training to mid-level and top managers, IT colleagues and other colleagues working in the business field.
  - ▶ In 2019 Security Management significantly developed the security monitoring ability through the implemented SIEM system. The numbers of use cases were increased and the monitoring at application level was introduced. Log analysis is a steady task for Security Management.
  - ▶ Another level was reached in the area of mobile security as well, at the same time achieving client satisfaction by making new services accessible via mobile devices with a higher level of security.
  - ▶ For the purpose of risk-proportionate protection and compliance with external expectations, information security controls are regularly reviewed. As part of that process, vulnerability tests were carried out throughout the year continuously.
  - ▶ Security Management started performing internal attack and security tests to gain experience in the field of penetration tests and security tests were implemented at the end of the development phase of new developments.
  - ▶ Security Management continued to develop the new IDM system in 2019, adding another entry to the list of online systems and also the IDM integration of technical users was started.
  - ▶ The cyber-security framework system of KELER was set up within the security regulations and simultaneously new foundations were laid down for incident management enabling much faster and efficient responses in the case of a cyber-attack.
- In the course of the year the Security Management placed great emphasis on handling open internal control and audit items.

## ENVIRONMENT PROTECTION



Due to its activity, KELER Group's environmental responsibility is not substantial; the Company is unlikely to cause harm to the environment. KELER Group does not use hazardous materials that require licence.

It is the objective of KELER Group's own Green Office Programme to ensure long-term embeddedness of environment-conscious approach into our corporate culture and to reduce group-wide energy and paper consumption and establish a system of selective waste collection. The corporate group pursues the principle of responsible thinking, prioritising to establish a healthy workplace.

KELER Group has been headquartered in R70 Office Complex in Budapest (70-72 Rákóczi Road) since April 2014. Key aspects in the selection process were to ensure a liveable and enjoyable work environment for our employees while using environment-conscious equipment and solutions. The principle that office areas should be able to continue and operate the Green Office Programme, which had been functioning well, was also observed.

As a result of the expert's report received in the previous year, for the purposes of optimizing energy consumption and the related costs the UPS devices and battery were replaced in 2019 at R70 HQ. 2 pieces of UPS devices and 80 pieces of batteries were purchased for the optimization of the capacities based on the previous load data.

Additionally, reduced paper consumption is ensured by continuous supervision of the printer park and data analyses.

In 2019 KELER's Maintenance and Procurement Department launched a procurement procedure for environment protection advisory to identify statutory obligations, to have the polluting devices (generator) licensed and to comply with data supply obligations concerning air pollution, waste handling and other aspects. The contract enters into force in 2020.





## REPORT OF THE KELER CCP SUPERVISORY BOARD FOR 2019



### Report of the Supervisory Board of KELER CCP Ltd. on the financial statements prepared according to IFRS

The Supervisory Board of KELER CCP Ltd. held meetings six times in 2019 and adopted decisions without a meeting three times.

The Supervisory Board adopted a decision on the amendment of KELER CCP Ltd.'s Operational Regulation of the Internal Audit System on 28 January without holding a meeting.

On its meeting of 22 March, the Supervisory Board discussed the financial management of the Company for Q1-Q3 of 2018, the internal auditor's report on the annual audit of the DRP tests, the financial statement of the Board of Directors concerning Q4 of 2018, as well as the summary of the compliance activity for 2018 and the work plan of Compliance for 2019.

The Supervisory Board was informed of the amendment to the Outsourcing Agreements between KELER CCP Ltd. and KELER Ltd., the cooperation between the KELER Group and the Kazakh Stock Exchange and the performance status of the Internal Audit Organisation's work plan for 2018.

At the meeting of 13 May, the Supervisory Board discussed the proposals for the annual ordinary General Meeting: the report by the Supervisory Board of KELER CCP Ltd. on the financial statements in accordance with the IFRS standards and the separate financial statements of the Company made based on the IFRS standards pursuant to Act C of 2000 on Accounting.

The modification of the Rules of Procedure of the Supervisory Board of KELER CCP Ltd. was also on the agenda.

At its meeting of 25 June, the Supervisory Board discussed, among other things, the Company's financial management for 2018 and Q1 of 2019, the internal auditor's report on the follow-up of measures specified during the comprehensive control of the Central Bank of Hungary for 2017 and the applications for deadline modification regarding the tasks included in the internal auditor's report.

The approval of the Support Contract to be concluded between KELER CCP Ltd. and the Budapesti Értéktőzsde Zrt., the Board of Directors' financial statement concerning Q1 of 2019, the audit of the business systems, the external independent control of the internal audit mechanisms and the involvement of KELER CCP's data warehouse in relation to KELER's Service Development Programme (KSZP) were on the agenda.

The Supervisory Board was informed of the status of the cooperation with the Kazakh Stock Exchange and the Dutch Commodities Exchange, the status of the termination of the contract concluded with BRM, the modification of the Shareholder Loan Agreement concluded with KELER Ltd. and the performance status of the Internal Audit Organisation's work plans for 2018 and 2019.

On 22 July 2019, the Supervisory Board adopted a decision without holding a meeting on the order of internal audit for the purposes of investigating liquidity management.

At its meeting of 20 September, the Supervisory Board discussed the financial management of KELER CCP for the first half of 2019, the Board of Directors' financial statement on Q2 of 2019, the report prepared by an independent auditor on the indicators included in the Remuneration Policy concerning 2018 and the following Internal Auditor's Reports: the review of clearing and settlements relating to the Trading Platform, the follow-up of the measures included in the oversight assessment on the compliance with the PFMI principles concerning 2017, the review of the Remuneration Policy, the review of Client and partner rating and the review of the clearing membership, guarantee and risk management system relating to the Trading Platform.

As an information material, the activity of Compliance for the first half of 2019 and the status of the cooperation with the Dutch Commodities Exchange and the Kazakh Stock Exchange were included.

Among other things, the Supervisory Board was informed of the performance status of the Internal Audit Organisation's work plans for 2018 and 2019, the measures relating to KELER CCP Ltd.'s supervisory reviews for 2017 and 2018 and the decision regarding the comprehensive review.

On 4 November 2019, the Supervisory Board adopted a decision without holding a meeting on the order of internal audit regarding the case of Group Mineralix Kft.

At its extraordinary meeting of 25 November, the Supervisory Board reviewed the case of Group Mineralix Kft. based on the following agenda items: The presentation of the activity of Group Mineralix Kft. as a gas market clearing member, the activity of Group Mineralix Kft. as the clearing member of KELER CCP Ltd., BIM review report, KELER Compliance review report and the Report and expert opinion of KELER CCP Ltd.'s Compliance on the CCP's procedure. With regard to the future, an action plan on the more efficient future management of gas market clients was reviewed.

At its meeting of 16 December 2019, the Supervisory Board discussed the financial management of KELER CCP for Q1-Q3 of 2019, the Board of Directors' financial statement concerning Q3 of 2019 and the following Internal Audit materials: Liquidity management review, the review of the procedure relating to Group Mineralix Kft., review of the Compliance activity (extract from the KELER Internal Auditor's Report), the Internal Audit Organisation's work plan proposal for 2020, the applications for the modification of deadlines relating to the tasks included in the internal auditor's reports and the performance status of the Internal Audit Organisation's work plan for 2019. Among other things, the Supervisory Board was informed of the status of the cooperation with the Dutch Commodities Exchange, the status of the KSZP and the measures relating to the Company's supervisory review for 2018.

The Supervisory Board discussed and approved the prepared reports during its next meetings. The internal auditor's reports and the related action plans included the deficiencies detected during the review, the tasks proposed for their elimination, the assigned responsible persons and specified the deadline for performance.

Based on the internal audit reports, the Supervisory Board continuously monitored the performance of measures necessary as a result of the internal audit reports.

Based on the proposals on financial management, the internal auditor's reports and the other materials discussed by the Supervisory Board, the Supervisory Board has concluded that, during the operation of KELER CCP Ltd., the financial management is well-structured and the processes are basically regulated properly.

The Company's Board of Directors and management manages the financial resources reasonably and continuous effort is made to ensure the high level of secure operation.

When preparing and updating the regulations and specifying the directions of development, the Company endeavours to introduce and use modern methods in every area of the money, capital and energy market.

The capital structure and capitalisation of KELER CCP Ltd. comply with the legal conditions and the company's Board of Directors and management continuously take the necessary measures to maintain those.

KELER CCP Ltd. has the infrastructure necessary for providing high-standard services of excellent quality at its disposal.

In view of the above, the Supervisory Board has concluded that KELER CCP Ltd. has the required personal and material conditions to continue to operate properly in the period ahead.

The Supervisory Board has reviewed the Company's separate financial statements made pursuant to the Act on Accounting and based on the IFRS standards and the auditor's report. In view thereof, the Supervisory Board proposes that the General Meeting approve KELER CCP Ltd.'s annual report for 2019, with HUF 54,794,310 thousand total assets/liability balance sheet total and HUF 442,314 thousand profit after tax as per the balance sheet.

Dated Budapest, 12 May 2020

**Attila Varga-Balázs**

Chairman of the Supervisory Board  
KELER CCP Ltd.

## Deloitte.

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Company Registration Number:  
01-09-071057

*Translation of the Hungarian original*

### INDEPENDENT AUDITOR'S REPORT

To the Shareholders of KELER CCP Ltd.

#### **Opinion**

The summary financial statements, which comprise the separate statement of financial position as at December 31, 2019, the separate statement of comprehensive income, the separate statement of changes in equity and separate statement of cash flows for the year then ended ("summary financial statements") that are presented on pages 36-39 in the annual report for 2019 of KELER CCP Ltd. ("Company"), are derived from the audited separate financial statements of KELER CCP Ltd. for the year ended December 31, 2019.

In our opinion, the accompanying summary financial statements are consistent in all material respects with the separate financial statements for 2019.

#### **Summary Financial Statements**

The summary financial statements do not contain all the disclosures required by Act C of 2000 on Accounting ("Accounting Act") effective in Hungary. Reading the summary financial statements and auditor's report on those, therefore, is not a substitute for reading the audited separate financial statements of Company and auditor's report on those. The summary financial statements and the audited separate financial statements for 2019 do not reflect the effects of events that occurred subsequent to the date of our report on the audited separate financial statements.

#### **The Audited Separate Financial Statements and Our Report Thereon**

We expressed an unmodified audit opinion on the audited separate financial statements in our report dated May 5, 2020.

#### **Responsibilities of Management and Those Charged with Governance for the Summary Financial Statements**

Management is responsible for the preparation of a summary financial statements in the annual report for 2019 in accordance with relevant information included by audited separate financial statements.

#### **The Auditor's Responsibilities for the Audit of the Summary Financial Statements**

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited separate financial statements for 2019 based on our procedures, which were conducted in accordance with National Standard on Auditing "810 Engagements to Report on Summary Financial Statements".

Budapest, July 31, 2020

*The original Hungarian version has been signed*

Molnár Gábor  
on behalf of Deloitte Auditing and Consulting Ltd.  
and as a statutory registered auditor

Deloitte Auditing and Consulting Ltd.  
1068 Budapest, Dózsa György str. 84/C.  
Registration number: 000083

Registration number of statutory registered auditor: 007239

## SEPARATED STATEMENT OF FINANCIAL POSITION

KELER CCP / Annual Report

2019

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2019  
(ALL AMOUNTS IN THUF)

	31.12.2019	31.12.2018
Cash and cash equivalents	19 765 012	19 853 295
Debt instruments measured at fair value through other comprehensive income	3 999 775	2 993 668
Trade receivables relating to gas market	2 485 215	4 940 661
Trade receivables relating to central counterparty and other service	222 074	203 678
Other receivables	620 611	893 885
Receivables from repurchase agreements	8 942 350	9 336 276
Receivables from foreign clearing houses	18 175 567	19 753 319
Income Tax - Current tax receivables	0	1 877
Intangible assets	532 146	526 439
Property, plant and equipment	41 683	13 606
Income Tax - Deferred tax assets	9 877	12 805
<b>TOTAL ASSETS</b>	<b>54 794 310</b>	<b>58 529 509</b>
Trade payables	346 048	207 926
Trade payable from gas market activity	2 465 314	4 908 000
Other payables	166 973	280 736
Income Tax - Current tax liability	18 693	0
Default Fund liabilities	6 950 315	8 275 897
Financial guarantee contract liability	5 747	5 427
Collateral held from energy market participants	36 231 222	36 715 380
Lease liability	32 154	0
<b>TOTAL LIABILITIES</b>	<b>46 216 466</b>	<b>50 393 366</b>
Share capital	2 623 200	2 623 200
Capital reserve	3 934 800	3 934 800
Retained earnings	2 019 580	1 577 266
Reserves of financial instruments measured at fair value through other comprehensive income	264	877
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>8 577 844</b>	<b>8 136 143</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>54 794 310</b>	<b>58 529 509</b>

## SEPARATED STATEMENT OF COMPREHENSIVE INCOME

KELER CCP / Annual Report

2019

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019  
(ALL AMOUNTS IN THUF)

	01.01.2019– 31.12.2019	01.01.2018– 31.12.2018
<b>Revenues from counterparty services</b>	<b>1 713 156</b>	<b>1 371 739</b>
<b>Other non-counterparty services</b>	<b>196 866</b>	<b>195 055</b>
Bank service fees	-78 993	-66 892
Personnel expenses	-469 759	-401 156
Depreciation and amortization	-92 747	-125 380
Other operating expenses	-794 444	-722 258
Impairment of financial assets	-152	-3 354
Impairment of non-financial assets	-23 708	-89 507
Expense/(income) from changes in financial guarantee funds liabilities	-320	-454
<b>Operating expenses</b>	<b>-1 460 123</b>	<b>-1 409 001</b>
<b>Net operating income</b>	<b>449 899</b>	<b>157 793</b>
Interest incomes for items measured at AC	220 614	157 014
Interest incomes for items measured at FVTOCI	11 296	2 949
	231 910	159 963
Interest expenses	-239 736	-168 621
<b>Net interest income</b>	<b>-7 826</b>	<b>-8 658</b>
Other financial gains/(losses)	45 618	43 924
<b>Financial income</b>	<b>37 792</b>	<b>35 266</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>487 691</b>	<b>193 059</b>
Income taxes	-45 377	-19 303
<b>PROFIT OR LOSS FOR THE PERIOD</b>	<b>442 314</b>	<b>173 756</b>
<b>Other comprehensive income, net:</b>		
Remeasurement gains/losses of financial instruments measured at fair value through other comprehensive income	-674	460
Income tax of other comprehensive income	61	-41
<b>Other comprehensive income for the period</b>	<b>-613</b>	<b>419</b>
Of which later to be reclassified to net income:	-613	419
Of which later not to be reclassified to net income:	0	0
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>441 701</b>	<b>174 175</b>

## SEPARATED STATEMENT OF CHANGES IN EQUITY

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019  
(ALL AMOUNTS IN THUF)

	Share Capital	Capital reserve	Reserves of financial instruments measured at fair value through other comprehensive income	Retained Earnings	Total
<b>Balance on 1 January 2018</b>	<b>1 823 200</b>	<b>2 734 800</b>	<b>458</b>	<b>1 403 510</b>	<b>5 961 968</b>
Capital contribution	800 000	1 200 000	0	0	2 000 000
Total comprehensive income	0	0	419	173 756	174 175
<b>Balance on 1 January 2019</b>	<b>2 623 200</b>	<b>3 934 800</b>	<b>877</b>	<b>1 577 266</b>	<b>8 136 143</b>
Total comprehensive income	0	0	-613	442 314	441 701
<b>Balance on 31 December 2019</b>	<b>2 623 200</b>	<b>3 934 800</b>	<b>264</b>	<b>2 019 580</b>	<b>8 577 844</b>

## SEPARATED STATEMENT OF CASH FLOWS

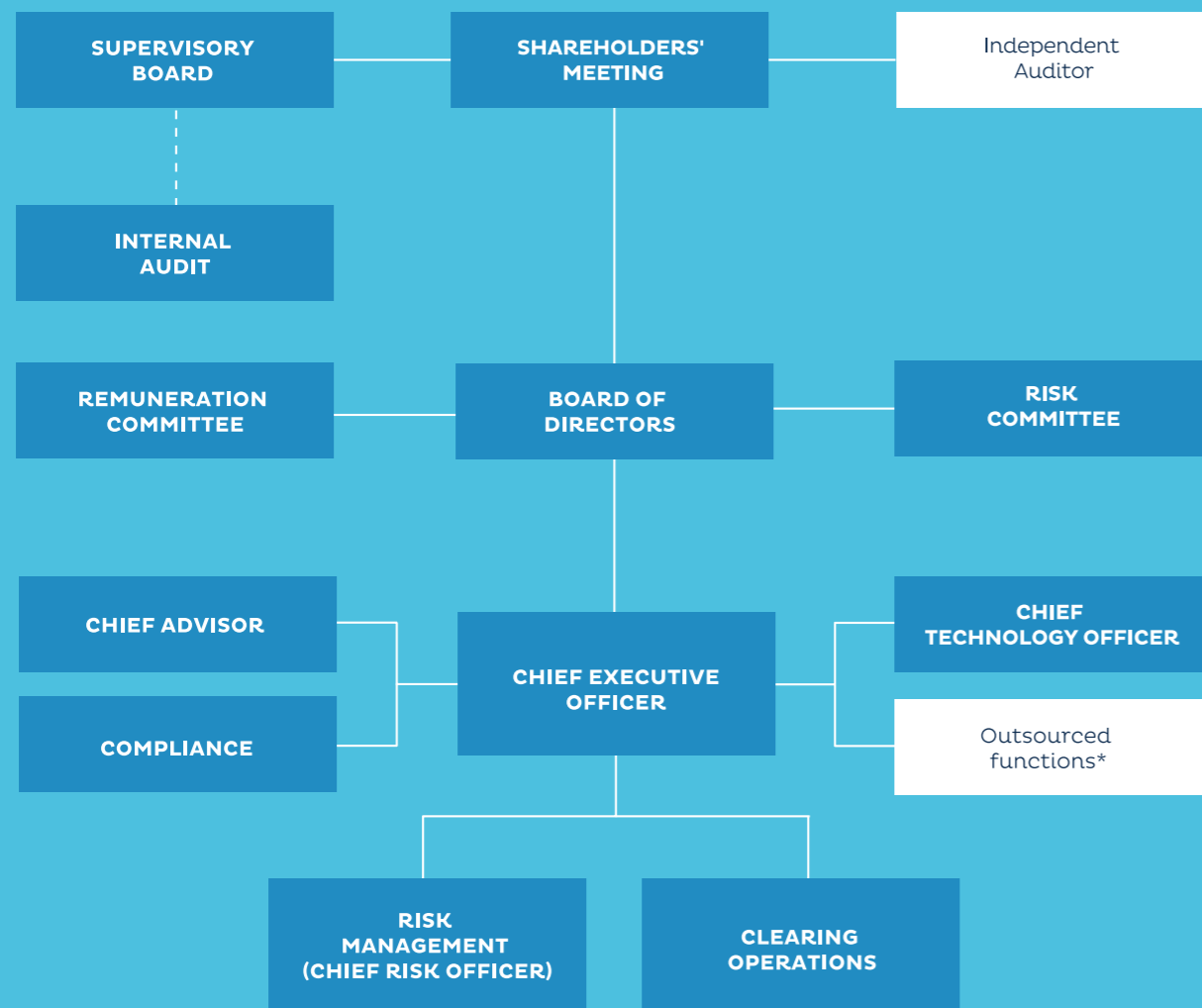
STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019  
(ALL AMOUNTS IN THUF)

	01.01.2019– 31.12.2019	01.01.2018– 31.12.2018
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>INCOME BEFORE INCOME TAX</b>	<b>487 691</b>	<b>193 059</b>
Interest expense	239 736	168 621
	727 427	361 680
<b>Non cash items - adjustments</b>		
Interest income	-231 910	-159 963
Depreciation and amortization charged	92 747	125 380
Impairment loss / reversal	23 734	92 859
Foreign exchange rate losses/(gains)	-47 810	-42 350
Recognition / release of financial guarantee contract	320	454
<b>Operating cash-flow before working capital adjustments</b>	<b>564 508</b>	<b>378 060</b>
Changes in the net balance of gas market transactions, net	12 760	-3 410
Changes in the net balance of security funds	-1 809 740	15 803 335
Changes in the receivables from balance with other clearing houses	1 607 965	-6 122 161
Changes in trade and other receivables	662 675	-3 047 552
Changes in trade and other payables	31 658	94 428
	1 069 826	7 102 700
Interest paid	-245 593	-174 026
Taxes paid	-21 819	-22 829
<b>Cash generated (+) / used (-) in operation</b>	<b>802 414</b>	<b>6 905 845</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets	-6 949 982	-3 987 271
Cash proceeds from financial instruments held for investment purposes	5 954 704	3 496 719
Acquisition of property, plant and equipment	-2 281	-14 535
Acquisition of intangible asset	-110 739	-82 417
Cash proceeds from disposal of property, plant and equipment	88	2
Proceeds from interest	206 841	142 261
<b>Cash generated (+) / used (-) from investing activity</b>	<b>-901 369</b>	<b>-445 241</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from capital contribution	0	2 000 000
Lease payments	-7 549	0
<b>Cash generated (+) / used (-) from/in financing activity</b>	<b>-7 549</b>	<b>2 000 000</b>
<b>Net increase (+) / decrease (-) in cash and cash equivalents</b>	<b>-106 504</b>	<b>8 460 604</b>
Opening cash and cash equivalents	19 853 295	11 403 060
Foreign exchange rate difference on closing cash and equivalents	18 351	-5 371
Expected credit loss balance on cash and equivalents	-130	-4 998
Closing cash and cash equivalents	19 765 012	19 853 295
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>-106 504</b>	<b>8 460 604</b>

# ORGANIZATIONAL STRUCTURE

(AS OF 31 DECEMBER 2019)

# MANAGEMENT



**\*Oursourced functions:**

- planning,
- controlling,
- legal activity,
- process management, development of operation, coordination of IT developments,
- reporting, keeping contact (for third parties),

- collateral management (valuation, coverage checking, parameter settings),
- treasury,
- client service,
- obtaining the authority license of Clearing members,
- PR & marketing,
- financial and accounting activities,

- Human Resources Management,
- facility, office management, procurement, document management,
- IT activities,
- operation and maintenance of the security system,
- internal audit activity,
- reporting,
- sales activity.



**Babett Paulics**  
Chief Executive Officer



**Tamás Horváth**  
Chief Operating Officer



**Ágnes Juhász**  
Chief Advisor



**Csilla Szanyi**  
Chief Risk Officer

## MANAGEMENT IN 2019

**Chief Executive Officer**

**Károly Mátrai**  
until 25 February 2020

**Babett Paulics**  
from 12 March 2020

**Chief Risk Officer**

**Zoltán Nagy**  
until 16 March 2020

**Csilla Szanyi**  
from 16 March 2020

## GENERAL INFORMATION

### Ownership structure

Effective between 1 January 2019 and 31 December 2019

Shareholders	Financial contribution	Ownership ratio
KELER Central Depository Ltd.	HUF 2 618 100 000	99,81 %
Central Bank of Hungary	HUF 2 720 000	0,10 %*
Budapest Stock Exchange	HUF 2 380 000	0,09 %**
<b>TOTAL</b>	<b>HUF 2 623 200 000</b>	<b>100,00 %</b>

\* Due to the stake held in KELER Ltd. the indirect and direct holdings amount to 53.33%

\*\* Due to the stake held in KELER Ltd. the indirect and direct holdings amount to 46.67%

## BOARD OF DIRECTORS

### Chairman:

Zsolt Selmeczi-Kouács dr.

### Members of the Board of Directors:

Csaba Kornél Balogh

Dániel Horváth  
from 27 August 2020

László Berényi

Dániel Körmöczi

Babett Paulics  
from 12 March 2020

Zsolt Demkó-Szekeres  
from 27 August 2020

Márton Nagy  
until 30 June 2020

Bence Marosi  
from 14 March 2020  
until 31 August 2020

Károly Mátrai  
from 24 March 2020

Attila Mónus  
until 24 March 2020

## SUPERVISORY BOARD

### Chairman:

Attila Varga-Balázs  
from 27 February 2020

Rita Zsarnouszkyné dr. Szalay  
until 27 February 2020

### Members of the Supervisory Board:

Bánai Ádám  
from 27 February 2020

Gerendás János

Bozsik Balázs

Baksay Gergely  
until 27 February 2020

Palotai Dániel  
until 27 February 2020

## CONTACT

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Fax: +36 1 342 3539

E-mail: [kelerccp@kelerkszf.hu](mailto:kelerccp@kelerkszf.hu)

Homepage: [www.kelerkszf.hu](http://www.kelerkszf.hu)

### Central Client Service:

Monday to Friday

from 9.00 until 15.00

Phone: +36 1 483 6240

+36 30 481 4331

E-mail: [ugyfelszolgalat@keler.hu](mailto:ugyfelszolgalat@keler.hu)

### Service Desk:

Available from

7.00 until 20.00

Monday to Friday

Phone:

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+36 1 483 6120



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